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(Original Signature of Member)

112TH CONGRESS
1ST SESSION

H. R. _____

To prohibit the Secretary of the Interior from issuing any new lease that authorizes the production of oil or natural gas under the Outer Continental Shelf Lands Act to a person that does not renegotiate existing leases held by the person to incorporate limitations on royalty relief based on market price that are equal to or less than price thresholds that apply to other leases under that Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To prohibit the Secretary of the Interior from issuing any new lease that authorizes the production of oil or natural gas under the Outer Continental Shelf Lands Act to a person that does not renegotiate existing leases held by the person to incorporate limitations on royalty relief based on market price that are equal to or less than price thresholds that apply to other leases under that Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Deficit Reduction
3 Through Fair Oil Royalties Act”.

4 **SEC. 2. ELIGIBILITY FOR NEW LEASES AND THE TRANSFER**
5 **OF LEASES.**

6 (a) ISSUANCE OF NEW LEASES.—

7 (1) IN GENERAL.—The Secretary shall not
8 issue any new lease that authorizes the production
9 of oil or natural gas under the Outer Continental
10 Shelf Lands Act (43 U.S.C. 1331 et seq.) to a per-
11 son described in paragraph (2) unless the person has
12 renegotiated each covered lease with respect to which
13 the person is a lessee, to modify the payment re-
14 sponsibilities of the person to require the payment of
15 royalties if the price of oil and natural gas is greater
16 than or equal to the price thresholds described in
17 clauses (v) through (vii) of section 8(a)(3)(C) of the
18 Outer Continental Shelf Lands Act (43 U.S.C.
19 1337(a)(3)(C)).

20 (2) PERSONS DESCRIBED.—A person referred
21 to in paragraph (1) is a person that—

22 (A) is a lessee that—

23 (i) holds a covered lease on the date
24 on which the Secretary considers the
25 issuance of the new lease; or

1 (ii) was issued a covered lease before
2 the date of enactment of this Act, but
3 transferred the covered lease to another
4 person or entity (including a subsidiary or
5 affiliate of the lessee) after the date of en-
6 actment of this Act; or

7 (B) any other person that has any direct
8 or indirect interest in, or that derives any ben-
9 efit from, a covered lease.

10 (3) MULTIPLE LESSEES.—

11 (A) IN GENERAL.—For purposes of para-
12 graph (1), if there are multiple lessees that own
13 a share of a covered lease, the Secretary may
14 implement separate agreements with any lessee
15 with a share of the covered lease that modifies
16 the payment responsibilities with respect to the
17 share of the lessee to include price thresholds
18 that are equal to or less than the price thresh-
19 olds described in clauses (v) through (vii) of
20 section 8(a)(3)(C) of the Outer Continental
21 Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)).

22 (B) TREATMENT OF SHARE AS COVERED
23 LEASE.—Beginning on the effective date of an
24 agreement under subparagraph (A), any share
25 subject to the agreement shall not constitute a

1 covered lease with respect to any lessees that
2 entered into the agreement.

3 (b) TRANSFERS.—A lessee or any other person who
4 has any direct or indirect interest in, or who derives a
5 benefit from, a lease shall not be eligible to obtain by sale
6 or other transfer (including through a swap, spinoff, serv-
7 icing, or other agreement) any covered lease, the economic
8 benefit of any covered lease, or any other lease for the
9 production of oil or natural gas in the Gulf of Mexico
10 under the Outer Continental Shelf Lands Act (43 U.S.C.
11 1331 et seq.), unless the lessee or other person has—

12 (1) renegotiated each covered lease with respect
13 to which the lessee or person is a lessee, to modify
14 the payment responsibilities of the lessee or person
15 to include price thresholds that are equal to or less
16 than the price thresholds described in clauses (v)
17 through (vii) of section 8(a)(3)(C) of the Outer Con-
18 tinental Shelf Lands Act (43 U.S.C. 1337(a)(3)(C));
19 or

20 (2) entered into an agreement with the Sec-
21 retary to modify the terms of all covered leases of
22 the lessee or other person to include limitations on
23 royalty relief based on market prices that are equal
24 to or less than the price thresholds described in
25 clauses (v) through (vii) of section 8(a)(3)(C) of the

1 Outer Continental Shelf Lands Act (43 U.S.C.
2 1337(a)(3)(C)).

3 (c) USE OF AMOUNTS FOR DEFICIT REDUCTION.—
4 Notwithstanding any other provision of law, any amounts
5 received by the United States as rentals or royalties under
6 covered leases shall be deposited in the Treasury and used
7 for Federal budget deficit reduction or, if there is no Fed-
8 eral budget deficit, for reducing the Federal debt in such
9 manner as the Secretary of the Treasury considers appro-
10 priate.

11 (d) DEFINITIONS.—In this section—

12 (1) COVERED LEASE.—The term “covered
13 lease” means a lease for oil or gas production in the
14 Gulf of Mexico that is—

15 (A) in existence on the date of enactment
16 of this Act;

17 (B) issued by the Department of the Inte-
18 rior under section 304 of the Outer Continental
19 Shelf Deep Water Royalty Relief Act (43
20 U.S.C. 1337 note; Public Law 104–58); and

21 (C) not subject to limitations on royalty re-
22 lief based on market price that are equal to or
23 less than the price thresholds described in
24 clauses (v) through (vii) of section 8(a)(3)(C) of

1 the Outer Continental Shelf Lands Act (43
2 U.S.C. 1337(a)(3)(C)).

3 (2) LESSEE.—The term “lessee” includes any
4 person or other entity that controls, is controlled by,
5 or is in or under common control with, a lessee.

6 (3) SECRETARY.—The term “Secretary” means
7 the Secretary of the Interior.

8 **SEC. 3. PRICE THRESHOLDS FOR ROYALTY SUSPENSION**
9 **PROVISIONS.**

10 The Secretary of the Interior shall agree to a request
11 by any lessee to amend any lease issued for any Central
12 and Western Gulf of Mexico tract in the period of January
13 1, 1996, through November 28, 2000, to incorporate price
14 thresholds applicable to royalty suspension provisions, that
15 are equal to or less than the price thresholds described
16 in clauses (v) through (vii) of section 8(a)(3)(C) of the
17 Outer Continental Shelf Lands Act (43 U.S.C.
18 1337(a)(3)(C)). Any amended lease shall impose the new
19 or revised price thresholds effective October 1, 2011. Ex-
20 isting lease provisions shall prevail through September 30,
21 2011.